

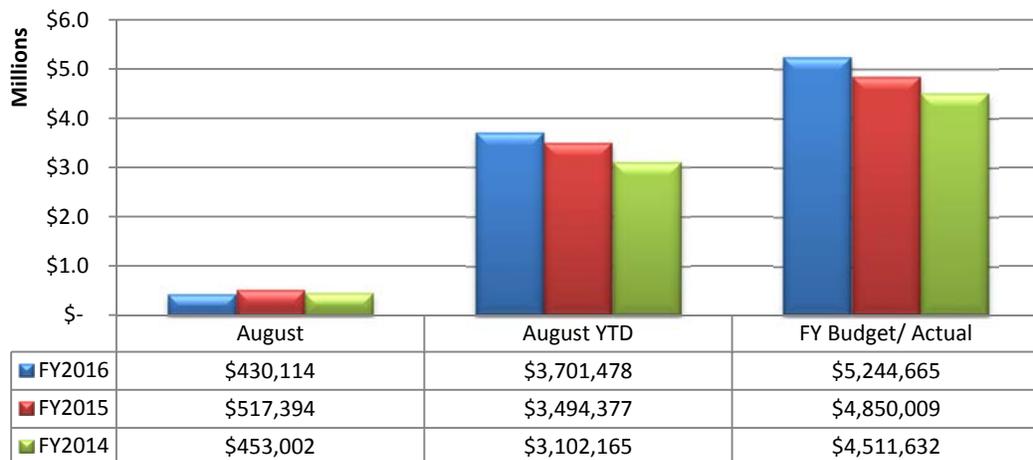


City of Pataskala Finance Department
James M. Nicholson, Finance Director
Finance Director's Report to Council

Current Projects & Issues

- The financial results through August 31st have been compiled and summarized in the Financial Condition Report, which was previously distributed and is currently available on the city's website. Here are some highlights from that report:
 - **Income Tax Revenue** - Collections for the month of August are \$430,114 and are \$87,280 (16.87%) higher than the August 2015 collections. On a year to-date basis, total collections are \$3,701,478 and are \$207,101 (5.6%) higher than last year. When comparing our year over year increase to other comparable communities, we continue to experience a slightly higher rate of increase than comparable RITA communities. The average 2015-2016 increase statewide for the 217 communities (including Pataskala) is currently running at 4.2%, while ours is 5.6%.

Income Tax Collections - All Funds



- **Utility Billing Receipts** – On a year to-date basis, the city has received \$791,802 in water utility revenues and \$862,428 in sewer utility charges. On a combined basis, the total is \$40,914 lower than last year at this point in time. The total appears to be running slightly ahead of expectations, however, as it represents 74.79% of the budget. We would anticipate that the total through August should be running between 65-70% of the full-year budget. We'll closely monitor the collections rate over the next several months to determine if and when an adjustment might be required.
- **Spending** – Spending through the first eight months of the year continues to be in line with expectations. Total spending to-date is \$10,936,525 and is equal to 43.5% of the full-year 2016 budget. Fund transfers between various city funds results in duplicate revenue and expenditure entries on the general ledger, which has the effect of overstating total

spending. If we eliminate the \$1,179,825 in interfund transfers from the calculation, adjusted total spending would be equal to 41% of budget. This is below the 66.67% rate that would be expected if spending was done in a straight-line basis (e.g. equal spending each month). The primary drivers of the variance are: (1) capital project spending which has not yet occurred for a number of projects; and (2) significant debt service payments that will be made on or before December 1st. In addition to the spending to-date, purchase orders (encumbrances) of \$3,732,093 have also been issued and are outstanding. This encumbered balance represents either: (1) legal commitments to pay (such as construction projects); or (2) estimated full-year spending on routine items such as employee health insurance, natural gas/electric utilities, fuel or office supplies. Including the outstanding purchase orders in the calculation results in a year to-date spending rate equal to 56.7%.

- **Investments** – As of August 31, the city’s investment portfolio (excluding overnight sweep) had a market value of \$7,711,098 and an average portfolio yield of 1.50%. The portfolio had an unrealized gain at the end of August of \$73,484 when compared against the original cost basis of the securities in the portfolio. It is important to note that any unrealized gain or loss on the portfolio is simply a hypothetical gain or loss, and would only become a realized gain/loss if we were to liquidate the investment portfolio. Individual securities generally return the par amount (e.g. 100% of the face value of the bonds or CDs) at maturity, and no gain or loss would be realized. During August, we had a \$245,000 bank (Ally Bank) CD mature, as well as a full call of a Federal National Mortgage Association (FNMA) bond which was earning 1.45%. These funds were reinvested in a 1.65% JP Morgan Chase Bank, NA CD and a 1.5% Privatebank & TC CD.
- **2017 Budget** – The initial budget proposal was memorialized in a budget briefing document which was provided to Council prior to the budget workshop. A special Council meeting was held to review the proposed budget, and a number of recommendations were made by Council regarding modifications to the budget. I will be working with the Administrator to incorporate these into the amended proposal, and will begin development of the formal budget book and legislation. It is my intention to have this ready no later than mid-October.
- **Medical Insurance Renewal** – As mentioned at the recent Council meeting, the city received its 2017 medical insurance renewal of 12.4% over current 2016 rates. This equates to a nearly 38% increase over the two-year period, which will have a significant financial impact to the city. The Administrator and I are looking into our options, including identifying and pricing potential alternative carriers.